

6-2014

Annual Report of Insurance Fraud and Abuse for 2013

Maine Bureau of Insurance

Maine Department of Professional and Financial Regulation

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Recommended Citation

Maine Bureau of Insurance and Maine Department of Professional and Financial Regulation, "Annual Report of Insurance Fraud and Abuse for 2013" (2014). *Insurance Documents*. Paper 8.
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Annual Report of Insurance Fraud and Abuse for 2013

Prepared by the Maine Bureau of Insurance
June 2014

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With regard to tables in this report, the number of claims may not equal the number of cases of fraudulent activity, because one case may involve more than one fraudulent claim.

The total number of suspected fraudulent claims increased from 1,282 in 2012 to 1,440 in 2013. This increase was due to Health, Life, and Other Lines claims that were at least double the amount of claims in 2012. The Automobile, Property, Workers' Compensation, General Liability, and Inland Marine insurance categories all reflect a decrease in the reported number of claims.

Number of Suspected Fraudulent Claims Reported by Line and Type of Insurance

Table 1 shows the number of suspected fraudulent claims reported by line of insurance for the most recent six-year period.

| Table 1: Number of Suspected Fraudulent Claims Reported by Line of Insurance | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Health | 484 | 229 | 251 | 361 | 141 | 195 |
| Automobile | 326 | 333 | 468 | 505 | 708 | 674 |
| Workers' Compensation | 271 | 366 | 303 | 263 | 211 | 276 |
| Property | 216 | 228 | 360 | 255 | 485 | 303 |
| General Liability | 65 | 67 | 56 | 56 | 54 | 66 |
| Life | 18 | 9 | 13 | 25 | 27 | 27 |
| Inland Marine | 6 | 25 | 7 | 6 | 8 | 8 |
| Other Lines | 54 | 25 | 45 | 222 | 106 | 78 |
| Total | 1,440 | 1,282 | 1,503 | 1,693 | 1,740 | 1,627 |

Table 2 shows the number of suspected fraudulent claims by type of insurance. Personal Lines include personal auto or homeowners insurance. Commercial Lines include commercial general liability, workers' compensation, and mortgage insurance.

| Table 2: Number of Suspected Fraudulent Claims Reported by Type of Insurance | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Personal Lines | 550 | 540 | 800 | 900 | 819 | 939 |
| Commercial Lines | 894 | 743 | 684 | 773 | 501 | 656 |

Number of Suspected Fraudulent Insurance Acts by Claimant Type

Tables 3 through 6 display the types of suspected fraudulent insurance acts, broken down by who committed the suspected fraud (i.e., claimant, legal provider, medical provider, or other).

Table 3 illustrates the number of reported cases in which a claimant may have committed a fraudulent insurance act. In 2013, the number of reported cases was lower than in 2012 in all but two categories. The reported data reflects an increase of nearly 7 percent in the number of Faked/Exaggerated Injury claims and an increase of 11 percent in the number of claims in the Other category. The Other category was used for cases involving a variety of acts such as Suspicious Fires, False or Exaggerated Reports, and Theft.

| Table 3: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Claimant May Have: | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Faked/Exaggerated Injury | 392 | 367 | 444 | 401 | 355 | 521 |
| Faked Property Damage | 196 | 231 | 322 | 228 | 286 | 212 |
| Inflated Financial Loss | 92 | 142 | 86 | 67 | 112 | 127 |
| Staged Accident/Injury | 65 | 82 | 66 | 55 | 55 | 130 |
| Been Known to File Suspect Claims—Including Faking, Exaggerating, or Extending Total or Partial Disability | 20 | 69 | 24 | 32 | 102 | 237 |
| Other | 140 | 126 | 130 | 237 | 266 | 232 |

Table 4 shows there were no reported cases of suspected fraudulent insurance acts committed by legal providers in 2013. This total has not changed since 2010. The number of reported cases involving legal providers has been minimal throughout the tabulated period.

| Table 4: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Legal Provider May Have: | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Hired or Paid Cappers/Chasers to Recruit Clients | 0 | 0 | 0 | 0 | 0 | 3 |
| Charged Fees Inconsistent with Services Provided | 0 | 0 | 0 | 0 | 1 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |

Table 5 shows the number of cases in which a medical provider submitted suspected fraudulent claims. There was a slight increase from 2012 to 2013 in the number of reported cases involving suspected fraudulent insurance acts in the Other line (which includes acts such as Performing Unnecessary Procedures, Excessive Charging and Misrepresentation of Identity); a decrease in four categories (Upcoded or Billed for Excessive Treatments, Unbundled Services, Provided an Inaccurate/Incomplete History, and Fabricated Services); and no change in the remaining four categories (Billed for Services Not Provided, Operated Without a License, Received Compensation for Referral to Medical or Legal Providers, Hired or Paid Cappers/Chasers to Recruit Clients).

| Table 5: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which the Medical Provider May Have: | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Billed for Services Not Provided | 22 | 22 | 19 | 9 | 6 | 6 |
| Upcoded or Billed for Excessive Treatments | 16 | 31 | 17 | 5 | 6 | 8 |
| Unbundled Services | 5 | 6 | 16 | 0 | 7 | 1 |
| Provided an Inaccurate/Incomplete History | 0 | 6 | 0 | 0 | 6 | 20 |
| Fabricated Services | 2 | 6 | 2 | 0 | 5 | 3 |
| Operated Without a License | 0 | 0 | 0 | 0 | 5 | 1 |
| Received Compensation for Referral to Medical or Legal Providers | 0 | 0 | 0 | 0 | 0 | 0 |
| Hired or Paid Cappers/Chasers to Recruit Clients | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 12 | 8 | 25 | 3 | 6 | 6 |

Table 6 shows the number of reported cases in which a person or entity (other than a claimant, medical provider, or legal provider) may have been involved in different types of suspected fraudulent insurance acts. The reported claims have risen in three of four categories as well as among cases in the Other line from 2012 to 2013.

| Table 6: Number of Cases of Suspected Fraudulent Insurance Acts Reported in Which an Other Person or Entity May Have: | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Provided an Inaccurate/Incomplete History, or Submitted False or Inaccurate Information to Obtain an Insurance Policy or to Reduce an Insurance Premium | 41 | 19 | 25 | 47 | 25 | 15 |
| Charged Inconsistent with Services Provided | 2 | 0 | 1 | 2 | 1 | 2 |
| Fabricated Services | 4 | 1 | 1 | 2 | 0 | 2 |
| Received/Paid Compensation for Referral | 0 | 0 | 0 | 0 | 1 | 0 |
| Other | 6 | 5 | 5 | 184 | 367 | 14 |

Note: In 2011, there was a significant decrease in the number of reported cases in the Other line. The reduction was due to one large company breaking out its data for the first time, into specific categories (in Tables 3 through 6).

Number of Suspected Fraudulent Cases Reported/Referred to Law Enforcement & Others

Table 7 shows the total number of cases of suspected fraudulent insurance acts reported or referred to law enforcement or other agencies, which increased by 4 percent from 2012 to 2013. This is attributed to increases in the number of cases reported to the National Insurance Crime Bureau, the Workers' Compensation Board Fraud & Abuse Unit, the District Attorney's Offices and to Other entities, including U.S. Postal Authorities.

| Table 7: Number of Cases of Suspected Fraudulent Insurance Acts Reported/Referred to Law Enforcement and Other Agencies | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| National Insurance Crime Bureau | 156 | 143 | 170 | 161 | 226 | 254 |
| Other Law Enforcement | 17 | 68 | 58 | 24 | 78 | 34 |
| Workers' Compensation Board Fraud & Abuse Unit | 25 | 11 | 15 | 15 | 11 | 23 |
| District Attorney's Offices | 25 | 1 | 11 | 19 | 5 | 4 |
| U.S. Attorney's Office | 0 | 2 | 8 | 4 | 2 | 15 |
| Other, Including U.S. Postal Authorities | 28 | 26 | 11 | 11 | 10 | 10 |
| Totals | 251 | 241 | 273 | 234 | 332 | 340 |

Note: Not all cases of suspected insurance fraud are referred to a law enforcement agency.

Amount of Money NOT Paid On Cases of Suspected Fraudulent Insurance Acts

Table 8 shows the amount of money that was not paid on cases of suspected fraudulent insurance acts. This represents money that may have been paid had the suspected fraud not been detected. The amount of money not paid on suspected insurance fraudulent acts increased by nearly \$1.3 million from 2012 to 2013.

| Table 8: Amount of Money NOT Paid on Cases of Suspected Fraudulent Insurance Acts | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| \$8,563,088 | \$7,304,490 | \$8,022,902 | \$7,800,461 | \$6,352,899 | \$9,731,510 |